

**United States Environmental Protection Agency  
Criminal Investigation Division  
Investigative Activity Report**

**Case Number**

0506-0026

**Case Title:**

Ferguson Enterprises Inc.

**Reporting Office:**

Detroit, MI, Resident Office

**Subject of Report:**

Interview of (b)(6), (b)(7)(C), former General Manager,  
Demolition Office, Detroit BS&E

**Activity Date:**

August 14, 2009

**Copies to:**

**Related Files:**

**Reporting Official and Date:**

(b)(6), (b)(7)(C) RAC  
28-AUG-2009, Signed by: (b)(6), (b)(7) RAC

**Approving Official and Date:**

(b)(6), (b)(7)(C), SAC  
03-SEP-2009, Approved by: (b)(6), (b)(7), SAC

**SYNOPSIS**

08/14/2009 - U.S. EPA CID Special Agent (SA) (b)(6), (b)(7)(C) and FBI SA Gwen Rosenthal interviewed (b)(6), (b)(7)(C) former General Manager, Demolition Office, City of Detroit Buildings Safety & Engineering (BSE). (b)(6), (b)(7)(C) was interviewed regarding (b)(6), (b)(7)(C) roles and responsibilities as the General Manager and the bidding procedures used by BSE.

**DETAILS**

On August 14, 2009, U.S. EPA CID Special Agent (SA) (b)(6), (b)(7)(C) and FBI SA (b)(6), (b)(7)(C) interviewed (b)(6), (b)(7)(C) former General Manager, Demolition Office, City of Detroit Buildings Safety & Engineering (BSE). (b)(6), (b)(7)(C) was interviewed regarding (b)(6), (b)(7)(C) roles and responsibilities as the General Manager and the bidding procedures used by BSE. After being informed of the identity of the interviewing agents and the purpose of the interview, (b)(6), (b)(7)(C) provided the following information:

(b)(6), (b)(7)(C) (nee (b)(6), (b)(7)(C)): (b)(6), (b)(7)(C) Brownstown, MI 48134: SSN: (b)(6), (b)(7)(C) DOB: (b)(6), (b)(7)(C); telephone: (b)(6), (b)(7)(C).

(b)(6), (b)(7)(C) was a City of Detroit employee for thirty years, first working as an administrative assistant at the Department of Public Works (DPW) and later at BSE. For DPW (b)(6), (b)(7)(C) dealt with solid waste issues such as garbage pick up and later transferred to the Demolition Office. In November of 2002 or 2003 the Demolition Office was transferred from DPW to BSE by then Mayor (b)(6), (b)(7)(C). (b)(6), (b)(7)(C) recalled that the reasoning behind this move was to streamline operations and reduce redundant permitting between the two departments. (b)(6), (b)(7)(C) was the Director of BSE when (b)(6), (b)(7)(C) transferred to that department. (b)(6), (b)(7)(C) reported to Deputy Director (b)(6), (b)(7)(C) as (b)(6), (b)(7)(C) direct supervisor.

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As the General Manager of the Demolition Office, (b)(6), (b) prepared all demolition contracts, completed paperwork required for a bid packages to be released and verified bid packages as complete after the bids were submitted by prospective contractors. (b)(6), (b) explained that the Purchasing Department actually released all bid packages and opened bid submittals. Purchasing also calculated the bid price for each submittal to reflect the discount given for being a Detroit based company. After opening the bid submittals were sent to (b)(6), (b) to review for completeness which included verifying that the contractor had a valid City of Detroit contractors' license. If the company was a new contractor to BSE (b)(6), (b) would contact references. (b)(6), (b) clarified that (b) would only check the validity of a contractor's city license and not their state license. The Permits Office of BSE was involved in issuing the city license and thus it was their responsibility to check on the status of the contractors' state licenses. (b)(6), (b) also explained that each bid package had a maximum award value, so any bid submittals over that limit were automatically excluded from the final list of qualified bidders. Lastly (b)(6), (b) compiled a list of qualified bidders for review by (b)(6), who was the final decision maker on which companies would be awarded the contract. (b)(6), (b) did not know of any instances when Purchasing overruled (b)(6), choice for a contractor.

(b)(6), (b) recalled hearing that Purchasing had sent a letter to (b)(6), (b) of the Farrow Group Inc (FGI) stating that (b) was in violation of (b) contract. (b)(6), (b) explained that FGI had been cited for having an open hole on a demolition site longer than the contract rules allow. (b) asked (b)(6), (b) to look into the contract terms and determine if FGI had violated such. (b)(6), (b) did some research and discovered that FGI had contacted the water department to report a water line that needed to be turned off at this site, but that the water department had failed to take action. (b)(6), (b) consulted with an attorney from the Law Department who told (b) that if FGI followed the procedure they were not in violation of their contract. (b)(6), (b) explained this to (b)(6), explaining that FGI had followed the proper procedure in alerting the water department to the situation. This discussion took place prior to Purchasing issuing the violation letter to FGI. (b)(6), (b) (7)(C) and another supervisor at BSE were reprimanded by (b) for not knowing that the open hole had existed beyond the deadline.

BSE issues bid package for demolition of both residential and commercial structures. The resulting contracts are awarded for a minimum number of buildings or a total dollar amount as a cap. For residential demolitions

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under 3,000 square feet the typical bids range from \$2.90/\$3.00 to \$4/\$4.50 a square feet. Ferguson Enterprises Inc's (FEI) bids were one of the four to five highest. Bids for commercial building demolition tended to be \$1 to \$1.50 a square foot and the contractor kept the scrap materials.

The quality of FEI's work was okay, but they tended to be slow. (b)(6), (b) commented that a lot of the demolition contractors were slow. The faster a company demolished their allotted buildings meant they could be awarded additional buildings during the term of the contract. FEI has been a long term demolition contractor with the City of Detroit starting with (b)(6), (b)(6), (b) (7) father. (b)(6), (b) added that FEI was awarded a lot of buildings to demolish but others were too. These additional buildings were not awarded until the first batch of buildings were completed or near completion. (b)(6), (b) tried to distribute any additional buildings evenly across the contractors. There were a few years when (b)(6), (b) and (b)(6), were not awarded a demolition contract but this was due to their high bid prices.

The Demolition Office is 100% federally funded by monies from the U.S. Department of Housing and Urban Development (HUD). All of these funds were routed through the Planning and Development Department at the City of Detroit. The Detroit City Council allots the HUD funds to the various city departments. (b)(6), (b) recalled that documentation was prepared by BSE to submit to HUD. Detroit was designated a "City of Promise" by the Michigan State Housing Development Authority (MSHDA) and received reimbursement for demolitions under this program. MSHDA reimbursed the city 50% of the cost of demolition, up to three thousand dollars, for each structure. (b)(6), (b) had access to a state run database which is how (b) inputted the reimbursement requests.

(b)(6), (b) utilized the "Dreams" accounting system to check on the monies remaining for each contractor. If (b) saw that a contractor was low on funds in their contract (b) filled out the required paperwork requesting additional monies and submitted this to (b) for approval. (b)(6), (b) (7)(C) is an administrative assistant who also tracked the remaining contract amounts for each contractor. (b)(6), (b) created an Excel spreadsheet to help (b) track the monies for each contractor. (b) once shared this with (b) but it seemed to confuse (b) more than help (b) communicate so from that point forward (b) kept it for (b) own use. Only staff from the Purchasing Department had the authority to enter an increase in funding in the Dreams system.

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(b)(6), (b) is not aware of any instance when FEI's contract value was increased without (b) knowledge. (b)(6), (b) did agree that it was possible that someone other than herself could submit the required paperwork to Purchasing authorizing the increase. (b)(6), (b) added that (b) would not have necessarily noticed an increase to the awarded amount but surely would have remembered if the increase was over the maximum amount allowed under the contract.

(b) is the only employee authorized to issue an emergency demolition order. The Detroit City Ordinance lists several criteria which qualify a structure as being an emergency demolition. Once a structure has been deemed as an emergency demolition the Assistant Chief of BSE assigns it to a contractor. (b)(6), (b) used to perform this function for all demolitions, but (b) asked that it be handled by the Assistant Chief after (b) duties became too much. The Assistant Chief of BSE was (b)(6), (b). Any structure over 10,000 square feet had to be approved by (b) due to the monies needed to pay for the demolition. (b)(6), (b) was not aware of the rationale behind (b)(6), threshold of 10,000 square feet for Director approval, commenting that it was just the way (b) ran the demolition program.

(b)(6), (b) vaguely recalled the demolition of the Temple Towers apartment building. (b)(6), (b) recalled that it was a HUD owned building and that FEI demolished after (b) declared it to be an emergency demolition. (b)(6), (b) also recalled that a BSE inspector had to keep going out to the demolition site possibly due to an issue with the basement of the structure. (b)(6), (b) thought that the Detroit Housing Commission (DHC) agreed with the demolition of the building but that there was some sort of suit filed by DHC over the demolition.

(b)(6), (b) knew of the Wrecking Board but is not familiar with its purpose or who its members were. (b)(6), (b) (7)(C) visited (b) at the BSE offices, but so did other contractors such as the owner of Glo Wrecking.

Lakeshore Engineering (LSE) was an asbestos survey contractor for the city since (b)(6), (b) worked for DPW and recently became an asbestos abatement contractor. It is the city's policy to not to have the same company complete the asbestos survey and the abatement. The abatement contracts were awarded after a bidding process. A separate contract was awarded for asbestos surveys. The asbestos survey contract was considered a professional service contract and was negotiated, not bid out. The professional service proposals were reviewed for scope of work and did

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not contain a total monetary amount. The submittals did contain a breakdown for items such as labor. An in house committee reviewed and scored the proposals. The top two firms were brought in for negotiations.

There was a number of years when the existing demolition contracts were extended due to a variety of reasons including: pending contract revisions due to a civil lawsuit filed by EPA, (b)(6), direction to have contracts expire at the same time as the city's fiscal year, BSE having spent the next years allotted funds for demolition, and a lack of new funds to bid out the contracts.

(b)(6), is the Demolition Supervisor for BSE who came from DPW when the Demolition Office was transferred. (b)(6), (b) duties include fielding citizen complaints, reviewing inspector reports and supervising the demolition inspectors. The inspectors are assigned by sector and are responsible for inspections in that sector. Generally (b)(6), is not involved in inspecting buildings (b)(6), (b). (b)(6), is responsible for assigning buildings needing abatement to contractors and assists in preparing the required EPA 10 day notification forms.

(b)(6), (b) (7)(C) firm conducts asbestos air monitoring, but was not a direct contractor for BSE. Asbestos air monitoring is subcontracted by the abatement contractors.

(b)(6), (b) (7)(C) was BSE's liaison to City Council so any response to Council requests were forwarded to (b)(6),.

(b)(6), (b) trained (b)(6), (b) (7) to be (b) replacement but (b) did not permanently become the General Manager. (b)(6), LNU is currently the General Manager.

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